

CNA UL, Addendum, & SOW

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PSS ARCHITECT



CNA UL, Addendum, & SOW

- **Nature of Work**

- assessment to determine a property's physical capital needs over the next 20 years based upon the observed current physical conditions of a property.
- year-by-year estimate of capital replacement costs over a 20-year period in planning the reserve account for replacements.
- CNA report is only an estimate and should not be used as a formal schedule for actual replacement of components.
- Capital items should only be replaced at the end of their useful life.

CNA Unnumbered Letter

Two CNAs probable

- CNA approved by Agency becomes “official”
 - “Snapshot in time” of property
 - Provided by independent party (CNA Provider)
 - Maintain in case file
- In discussing CNA with Underwriter, or during underwriting, CNA needs to be changed
 - Move some line items / years / amounts
 - Adjust for funding availability / work in each year
 - Becomes the official “replacement” version
 - Maintain this CNA in case file too

CNA Unnumbered Letter

Updating a CNA

- If cost data more than 1 year old when Agency reviews CNA (CNA done well in advance to get points for application), a CNA “update” required
- Complete, new CNA not necessary
- CNA Provider revises CNA based on
 - Review property changes with Owner
 - Replacements? Repairs done?
 - Review, and if necessary, update costs
 - Revise and reprint on RD CNA Template

CNA Unnumbered Letter

Updating a CNA

- Hope that additional cost to Owner / property is minimal
- If date of CNA site visit is more than 2 years old (at time of Agency approval of CNA), a new site visit required
- An attempt to keep CNA and cost information “current” (within a reasonable time frame)

CNA Unnumbered Letter

- **UL Attachments:**

- **Attachment A:**

- References To Capital Needs Assessment (CNA) In
7 CFR Part 3560 And Handbooks

- **Attachment B:**

- Addendum To Capital Needs Assessment Contract

- **Attachment C:**

- Capital Needs Assessment “Statement Of Work”

- **Attachment D:**

- Fannie Mae Physical Needs Assessment Guidance
To The Property Evaluator

CNA Unnumbered Letter

- **UL Attachments:**

- **Attachment E:**

- Accessibility Laws And Standards

- **Attachment F:**

- Existing Property Accessibility Checklist

- **Attachment G:**

- Accessibility Requirements For Rural Development
Financed Existing Multi-family Housing (Q&A)

- **Attachment H:**

- Capital Needs Assessment Guidance to the Reviewer

- **Attachment I:**

- Sample Capital Needs Assessment Review Report

Contract Addendum

- **Definitions**
- **Additions to the Agreement**
 - **Owner's Obligations**
 - **Owner's Certifications**
 - **CNA Provider's Obligations**
 - **CNA Provider's Certifications**
- **Miscellaneous**
 - **Agency Provision (of copies of reports)**

Contract Addendum

- **Blanks to be filled in**
 - **page 1**
 - Name of CNA Provider
 - Name of Property Owner
 - Date
 - Property
 - **page 2**
 - Date of CNA contract
 - Property

Contract Addendum

- **Blanks to be filled in**
 - **page 3**
 - Number of days CNA Provider has property info prior to site inspection
 - **page 4**
 - Select 3rd party funds committed (rehab), 3rd party funds requested (RD decides), or no 3rd party funds / rehab
 - **page 5**
 - Format for CNA Report (RD CNA Template best choice)

Contract Addendum

- **Blanks to be filled in**
 - **page 7**
 - **Property state location (laws of that state)**
 - **Owner's signature**
 - **CNA Provider's signature**
 - **RD concurrence**

Contract Addendum

- Reworded definition of “Owner” (to who now owns or will own)
- “Owner will not instruct CNA Provider to perform an ‘as improved’ / post rehab CNA without approval from RD”
- Includes provision under Miscellaneous that Agency will provide copies of available reports

SOW

- Remember to include rehabbed items in the 20 year replacement schedule, as appropriate
- If over 100 units, inspect 15% of units
- CNA Provider to verify “rehab” with RD before doing “as improved” CNA
- Wording for “trained”, “experienced”, and “knowledgeable” now matches Contract Addendum
- “H & S”, not “Year 0”

CNA SOW

Provider Shall:

- Perform a Capital Needs Assessment
- Inspect the property
 - Minimum of 25% of all dwelling units (varies by total units)
 - All accessible units to be inspected
 - Responsible for consulting with property manager for appropriate unit sampling
- Site improvements, common facilities, and building exteriors to be inspected
- Interviews with property owner, management, staff, and tenants as needed.

CNA SOW

- Consider the following elements provided by owner:
 - Contact information for the RD representative
 - Breakdown of units by bedroom count and type
 - Available blueprints (as-built drawings preferred)
 - Historic capital expenditures (3-5 years) / maintenance (12 mos.)
 - Maintenance logs and invoices for recent capital improvements
 - Invoices for any recent work / quotes for planned work
 - Self Evaluation / Transition Plan
 - Previous capital CNAs / PNAs
 - Any structural engineering studies previously completed
 - Any previous reports for environmental / Health / USDA
 - Proposed rehabilitation scope and budget if:
 - 3rd party funds have been committed
 - USDA concurs in the committed funds
 - Funds are to be used toward the rehab of the property

CNA SOW

- Prepare a report using forms developed by USDA or other similar documents
- Project Summary
 - Identification of provider, owner, and brief description of project.
- Narrative
 - Description of property: year constructed, rehabilitated, interior and exterior elements.
 - Architectural and structural elements, mechanical systems, etc.
 - Number and types of units inspected as basis for report
 - Compliance with accessibility requirements
 - Actions and estimated costs to correct deficiencies in order to meet federal, state, and local laws
 - Include opinion for any existing Self Evaluation/Transition plans in order to meet RD requirements.

CNA SOW

•Narrative (cont.)

- Inclusion of data from the attached Accessibility Checklist
 - primarily used as a guide and not all-inclusive
- Inclusion of any data from the attached Frequently Asked Questions pertaining to certain accessibility matters
- Assessment of observed or potential on-site environmental hazards
- Any additional professional reports deemed necessary by the provider (e.g. structural or environmental hazards)
- If 3rd party funds involved and have been committed:
 - Description of work, source of funding, completion date (year), and total estimated costs will be included
 - CNA to include post-rehab needs if work will begin within 12 months
 - Include items rehabbed during 20 years, if appropriate
- Acknowledgements – persons who performed the inspection, prepared report, and interviewees.

CNA SOW

- Materials and Conditions

- Item description
- Expected Useful Life (EUL)
 - Based on Fannie Mae Physical Needs Assess. Guide
- Age of material or system
- Remaining Useful Life (RUL)
- Condition – (excellent, good, fair, or poor)
- Needed action (repair, replace, maintain, construct, or none)
- Comments or field notes relevant to report

- Capital Needs

- On RD CNA Template or Microsoft Excel spreadsheet
 - Identifies all materials and systems of the four major systems groups to be repaired, replaced, or maintained.

CNA SOW

•Capital Needs (cont.)

•Items to be included for materials and systems:

- Year or years when action needed
- Number of years to complete the needed action
(must include a number, even if “1”)
- Quantity and unit of measure
- Estimated repair, replacement, or special maint. unit cost and total cost in dollars for each line item. Estimated costs for entries include materials, labor, O&P, etc.
- Costs which deviate from industry standards (R.S. Means) must be adequately supported.
- In-kind materials are generally used for replacement. However, a material deemed “more appropriate” or “more efficient” may be used if adequate documentation provided to the Agency for review.

CNA SOW

•Capital Needs (cont.)

•Immediate Capital Needs:

- All critical health and safety deficiencies requiring corrective action in calendar year 2010 (e.g. Fire alarm, egress, railings, infestation)
- Current condition and RUL should be noted for affected systems before CNA is finalized for immediate rehab proposed by the owner.

•Capital Needs Over the Term:

- Capital needs include significant maintenance, repairs, and replacement items during the calendar years 2010 through 2027
- Does not include minor items with annual aggregate costs for a line item less than \$1,000 (< \$250 if less than 12 units)
- Based on the actual RUL of components and systems.
- Capital activities should not be “front-loaded”

CNA SOW

•Capital Needs (cont.)

•Capital Needs Over the Term:

- New components or upgrades addressed in the Immediate Needs section, with an EUL of less than twenty years (e.g. air conditioners), will need to be accounted for in Capital Needs Over the Term.

•Executive Summary (RD CNA Template or Microsoft Excel, .xls file)

- Summary of Immediate Capital Needs – grand total of major system groups.**
- Summary of Capital Needs Over the Term – annual costs and grand total of major system groups.**
- Summary of all Capital Needs – grand total costs for Immediate and Over the Term capital needs.**

CNA SOW

•Capital Needs (cont.)

•Appendices

- 10 - 25 digital photographs describing the property's buildings (interior and exterior) and other facilities, specific material or system deficiencies, and the bathrooms and kitchens in the accessible units. Include a property location map.

•Delivery

- One electronic copy via e-mail or CD to owner and Agency within 15 days of execution of the agreement.
- Provider shall make appropriate changes in accordance with the Agency review. Revised copy sent via e-mail or CD to Owner and RD for review and final acceptance within 5 days.

CNA SOW

- Capital Needs (cont.)

- Provider shall NOT analyze the adequacy of the property's existing or proposed replacement reserve account nor its deposits as a result of the capital needs described in the report.
- This will be addressed in the underwriting portion of the CNA process.

UL Attachments

Attachment E - *Accessibility Laws And Standards*

- Same as previous UL (2008)
- Outlines the federal accessibility laws, regulations, and standards that apply to Section 515 and Section 514/516 Multi-Family Housing properties.
- Report must include any actions and estimated costs necessary to correct deficiencies in order for the property to comply with applicable federal, state, and local laws and requirements on accessibility. (Best way is to use SE / TP.)
- The report must also include an opinion on the adequacy of any existing and approved transition plans for the property. (If “not good”, use the checklist in Attachment F as a minimum.)

UL Attachments

Attachment F - *Existing Property Accessibility Checklist*

- Contains general information in checklist format.
- Designed to help the CNA provider comply with federal accessibility laws, regulations, and standards.
- Report must include any actions and estimated costs necessary to correct deficiencies in order for the property to comply with applicable federal, state, and local laws and requirements on accessibility .
- This is a “tool”, doesn’t relieve CNA Provider of responsibility to check for correct accessibility provisions.

UL Attachments

Attachment F - *Existing Property Accessibility Checklist*

- **New approach on Accessibility**
 - If available, Owner to provide copy of Self Evaluation / Transition Plan to CNA Provider
 - CNA Provider uses information from SE/TP
 - If none available, CNA Provider to use the new Checklist from SOW Appendix

UL Attachments

Existing Property Accessibility Checklist (*Attachment F*)

- Understand that older projects are not “grandfathered”
- Includes significant accessibility items
- Bring all CNAs up to a minimum level of acceptance for accessibility
- Clarify some “over zealous” items provided / required in CNAs
- Provide a more level playing field, tempered to “be reasonable”

UL Attachments

Existing Property Accessibility Checklist (*Attachment F*)

- Added Accessibility Checklist
 - Includes a “Disclaimer” that does not cover all accessibility items (limited to 3 pages)
 - Hits the “highlights”
 - Includes 75 items most often missing / confused in reviewing existing MFH for accessibility
 - Effort to provide more standardized / even accessibility across all CNAs

UL Attachments

Accessibility Requirements For Rural Development Financed Existing Multi-family Housing (*Attachment G*)

- **Accessibility FAQs**
 - References HB - 2 - 3560, Appendix 5 for additional information on accessibility
 - Cites 5% rule from 7 CFR 15b (Departmental Regs)
 - Explains that accessible route to all ground floor units not required for properties built prior to Fair Housing Amendments Act (3/13/91)
 - Clarifies “accessibility” for MFH playgrounds (route to playground, not equipment)
 - Discusses hilly sites and accessible routes

UL Attachments

Accessibility Requirements For Rural Development Financed Existing Multi-family Housing (*Attachment G*)

- **Accessibility FAQs**
 - Describes requirement for “accessible stairs” (no open risers)
 - Issues concerning existing properties with split foyer designs
 - Accessible community room requirements (less than a dwelling unit kitchen)
 - Accessibility in “all townhouse” properties
 - Describes Self Evaluations and Transition Plans
 - **Accessible alarms for common areas**

UL Attachments

CNA Guide to Reviewer (*Attachment H*)

- Checklist for Reviewing the CNA Contract
 - Has RD Contract Addendum been incorporated?
 - Substituted “CNA Provider” for “contractor”
 - “Comments” section added

Sample CNA Review Report (*Attachment I*)

- Format for report on initial, final CNA
 - Format unchanged
 - Space for CNA Reviewer & Underwriter to sign final
 - Note says CNA Reviewer & Underwriter work together!

CNA UL, Addendum, & SOW

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Capital Needs Assessment

